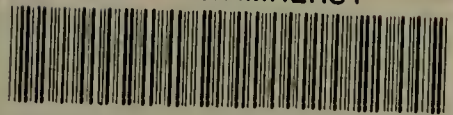


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SAVING FARMLAND IN MASSACHUSETTS

THE
AGRICULTURAL PRESERVATION
RESTRICTION PROGRAM //

GOVERNMENT DOCUMENT
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MASSACHUSETTS DEPARTMENT
OF
FOOD AND AGRICULTURE

ANNUAL REPORT
FISCAL YEAR, 1984

PLICATION #: 13904-14-200-1-85-CR
ROVED BY: DANIEL CARTER, STATE PURCHASING AGENT

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ROBERT MOREHOUSE, DISTRICT CONSERVATIONIST FOR ESSEX AND MIDDLESEX COUNTIES,
DESIGNEE OF REX O. TRACY.

This Annual Report was prepared by the Bureau of Land Use pursuant to Section 11C, Chapter 132A of the Massachusetts General Laws.

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Introduction

The Agricultural Preservation Restriction (APR) Program was established by the Legislature in December, 1977, to protect the Commonwealth's rapidly diminishing farmland resources through the purchase of Agricultural Preservation Restrictions, commonly known as development rights. It is a voluntary program whereby farmland owners apply to the Department of Food and Agriculture to sell a restriction on all or a portion of their property. After field inspections, a screening and selection process, appraisals, and approval by the Agricultural Lands Preservation Committee, the Commonwealth acquires these deed restrictions, which run in perpetuity, and prohibit all activities that would destroy or impair the land for farming. Title to the land still rests with the landowner who enjoys all the traditional rights of property ownership, such as the right to privacy, the right to lease or sell the land, and of course the right to farm the land.

Since the program's inception, more than 9,825 acres have been protected state-wide. There are also more than 11,853 acres currently under appraisal. During the past six years the Legislature has appropriated five million dollars for each of the first four years, twenty million dollars in 1983, and another five million in 1984 for a total of \$45 million to fund the program. The Massachusetts program is the most intensive farmland preservation program of its kind in the country and is being used as a model by other states considering similar farmland protection techniques.

Background

An active farmland preservation role by the State's Department of Food and Agriculture has come none-too-soon for Massachusetts, as over a million and a half acres of land in farms have gone out of production in the state since World War II. During the two decades between 1951 and 1971 it has been estimated that between 11,000 to 12,000 acres of farmland were lost annually in the state because of urban conversion. The tremendous loss of farmland in

Massachusetts has slowed during the past decade, but the loss of farms and farmland continues. One just has to drive around the countryside to witness new houses going up in fields and orchards that were recently in active agricultural production.

The loss of agricultural land in most areas of Massachusetts will undoubtedly continue, because the value of land for development purposes is greater than its value for agricultural purposes. The economic incentive to sell the farm for non-agricultural uses is often too hard for a farmer to resist, or the land is simply just too expensive for the farmer's children or neighboring farmers to purchase. It is this disparity in land value for development versus agriculture that makes the Commonwealth's Agricultural Preservation Restriction (APR) Program work, as explained in the Appraisal section of this report.

APR Program Objectives

The main objective of the Agricultural Preservation Restriction Program is to protect productive farmland through the purchase of deed restrictions and revitalize the agricultural industry by making land more affordable to farmers and their operations more financially secure. The specific goals of the Program include the following:

1. To save the best and most productive agricultural land remaining in the Commonwealth and;
2. To provide an opportunity for farmers to purchase farmland at affordable prices and;
3. To help farmland owners overcome estate planning problems and to address other personal ownership problems such as age, health, retirement and;
4. To release the equity "locked-up" in the land and therefore provide working capital to enable farm operations to become more financially stable and;

5. If other program objectives are met, to protect scenic openspace and environmentally sensitive lands and;
6. To develop a positive attitude among farmers, agribusinessmen, landowners and urban residents that agriculture in Massachusetts makes an important contribution to the state's economy, food supply and rural character.

The Selection and Appraisal Process

The decision as to which land to protect is made by a nine-member Agricultural Lands Preservation Committee, the members of which are outlined in the front of this report. The Committee's decisions are guided by four major criteria set forth in the enabling legislation and ensuing regulations. The criteria, in order of significance, are (1) quality of the soils for agricultural production; (2) degree of threat facing the farm; (3) significance of the farm to the state's agriculture; and (4) compatibility with environmental and community planning objectives.

When a landowner makes application to the state, a portion of the application must be completed by the municipality where the land is located. All municipalities are encouraged to participate actively in the application process. Their portion of the application queries them on how protection of the farm fits in with their planning objectives, zoning, and community development goals. The Committee, while sensitive to local comments, is not bound to act upon a municipality's recommendations. Nevertheless, in 95 percent of all cases a municipality's comments are favorable toward farmland preservation.

Following the selection process, those farms the Committee wants to protect are nominated for appraisal. All appraisals are handled by independent, professional appraisers who are contracted to do the work by the APR Program staff.

The value of the Agricultural Preservation Restriction (development rights) is the difference between the land's full market value and its agricultural value.

The appraisal process is completed in three steps: 1) determination of market value, 2) determination of agricultural value, and 3) independent review of the market and agricultural value to determine the value of the APR.

The appraisal process is the most important component of the APR Program, because it is the value of the development rights that so often determines the success (or failure) of the individual project. Accordingly, it is the APR Program's highest priority that the appraisals are complete and accurate. The objective of the Program is to pay a fair price for the restriction, but at the same time ensure that the taxpayers dollars are spent prudently and not wasted on land that may not have development potential. In many cases percolation tests are done to confirm whether the land can legally be developed under the states' Environmental Code, and market demand for residential, industrial or commercial use must be demonstrated in order to justify the full value of property.

The agricultural value is determined by utilizing the income capitalization approach based on the type of farming enterprise most likely to occur on the property. Comparable sales of restricted land are also employed. The APR Program's agricultural appraisers have recently completed a research project aimed at improving the data base and methodology of the agricultural appraisal process.

Once the market value and agricultural value and reports are completed, they are reviewed by another independent professional appraiser to uncover any potential errors or oversights. The review appraiser visits the farm and inspects the comparable sales. When the review appraiser's summary report is completed, it is forwarded to the property owner with a cover letter explaining the results. The landowner then critiques the report and raises any questions about the appraisal. If questions arise that the program administrator cannot answer, the review appraiser is asked to meet with the property owner and staff to discuss the appraisal.

If the landowner is still in disagreement as to the value, they may engage their own appraiser. If their position cannot be supported by market information, the Department of Food and Agriculture's review appraiser has the final word. The program is always receptive to landowner's remarks about the appraisal of their farmland. If agreement cannot be reached at one point in time, the project will be reconsidered when the land market reflects a positive change for the landowner. The Program staff tries to be successful with every project nominated for appraisal.

Status of Farms Already Protected

All of the farms that are currently in the APR Program are checked from time to time for compliance with the terms of the Preservation Restriction. At this time, none of the farms have been cited for violation of the restriction, and all of the land currently protected remains in active agricultural use.

During the summer of 1982 the Land Use Bureau staff conducted a research project on the status of the protected farms in terms of land use, ownership, types of farm improvements, and changes in the farm operation, with the objective of determining how the APR monies were being spent and how the preservation restriction affected the farm. A total of thirty farms were visited and interviews held with the owners. The following conclusions and statistics were drawn from these field visits.

Of the thirty farms protected, eleven (or thirty-six percent) had changed ownership since the preservation restriction was completed. Out of the eleven farms that were sold, nine were purchased by family members or neighboring farmers and two were bought by new entry farmers. In the case of the sales to family members and neighbors, the sellers were all at or near retirement age, and they went on record as saying the APR Program helped them meet their retirement and ownership objectives. Thus, it is clear that the APR has been successful in helping farms pass from one generation to the next.

Current Status of the APR Program

The status of all applications received is categorized in Table 1. There have been 107 farm properties covering 9825 acres of land protected by the APR Program since its inception. These farms range in size from a fifteen acre highly intensive market garden to 350 plus acre dairy operations. Included among these farms are apple and peach orchards, specialized vegetable farms, small fruit operations (mostly strawberries), general forage crop and livestock farms, field crops such as potatoes, cucumbers and grain corn, diversified dairy farms and specialized dairy farms. The types of farms in the Massachusetts program are an excellent cross-section of the types of food producing agricultural enterprises in the State.

The location of the protected farms (and current applications) is depicted on a map on the back cover of this report. The distribution of the farms also reflects the major agricultural regions of the state, and the Program is continuously progressing in these areas. One of the Program's major objectives is to continue to add more restricted land in the vicinity of those farms already protected, in order to secure large areas of land for agricultural production. More and more landowners are becoming familiar with the program, and the assemblage of large blocks of protected farmland is underway in a number of towns, including Westport, Lunenburg, Dudley, Hadley, Amherst and others.

As the reader will note in Category B in Table 1, there are seventeen farms under Purchase and Sale Agreement. This means the acquisition is nearly complete except for the title search and final processing for payment.

The farms itemized under Category C and D are being appraised, or if the appraisal is complete negotiations with the owner are progressing. If agreement as to value is obtained then these properties will proceed to Category B once the Agricultural Lands Preservation Committee approves the funding.

Table 1. Status of Applications Received -- June 30, 1984

	<u>Number of Applications</u>	<u>Acres</u>	<u>Actual Purchase/Estimated Purchase Price*</u>
A. Acquisition Complete	107	9825	15,084,502.
B. Under Purchase and Sale Agreement	17	1711	2,740,700.
C. Currently Under Appraisal	98	11853	18,964,800.*
D. Appraisal Completed, but Landowner refused offer. ¹	43	5572	10,029,600.
E. Eligible projects awaiting action.	47	4919	7,870,400.*
F. Little Likelihood of funding due to low rating.	116	9934	15,894,400.*
G. Rejected.	<u>18</u>	<u>635</u>	<u>1,016,000.*</u>
 TOTAL	 446	 44449	 \$64,517,402.

¹ Landowners have initially refused offer, however, circumstances may change and the projects can become viable at anytime.

*Denotes estimated purchase price calculated by multiplying \$1600. (state-wide average cost/acre) times the acreage of each group.

Those properties in Category E are generally more recent applications and as other projects are completed those new applications that meet the Program's criteria will be nominated for appraisal. Those applications that do not meet the Program's criteria for approval are under Category F. Without significant changes, the application would not be reconsidered, unless major land improvement are made or there is more support from the local municipality. Those farms in Category G that are rejected, were those that did not meet the basic eligibility requirements established by law.

A summary of Program expenditures for the last five fiscal years is outlined in Tables 2 through 4. As of June 30, 1984 the Commonwealth expended a total of \$15,940,955.00 for administrative and acquisition costs combined. Another \$18,964,800.00 is committed to projects under appraisal, and \$2,740,700.00 is allocated to projects under purchase and sale agreement. This brings the total Program expenditures and commitments to \$37,646,455. If one third of those projects where the landowners have initially refused the Commonwealth's offer become viable in the next year, additional \$3,343,200. would have to be committed as well.

Administrative costs for the Program are 5.2 percent of total expenditures which appears to be reasonable. There was a dramatic increase in appraisal costs in FY 1984 which reflects the Program's effort to get more of the worthy applications under appraisal, but this has had the unfortunate effect of "loading up" the process and making it more unwieldy.

The number of completed projects in FY 1984 declined from the previous year by seventeen. The staff feels this decline reflects a more competitive real estate market where the APR Program has found it more difficult to complete transactions where there are rising expectations that land prices are going higher in the near future. In addition, the "loading up" of the appraisal pipeline has caused a backlog in terms of getting the review appraisals completed expeditiously, and complex title problems delayed the closing of a number of projects that would otherwise have been completed in FY 1984.

TABLE 2. SUMMARY OF APR PROGRAM EXPENDITURES FOR ADMINISTRATIVE EXPENSES: FISCAL YEARS 1980 - 1984.

	Fiscal 1980	Fiscal 1981	Fiscal 1982	Fiscal 1983	Fiscal 1984	TOTAL
Market Value Appraisal Services	\$62,420.	\$106,796.	\$91,147.	\$88,827.	\$177,549.	\$526,739.
Farm Value Appraisal Services	\$25,750.	--	\$9,112.	\$4,601.	\$23,838.	\$63,301.
Review Appraisal Services	\$8,891.	\$13,258.	\$27,349.	\$36,267.	\$34,555.	\$120,320.
Legal Services	--	\$7,427.	\$47,482.	\$26,664.	\$56,628.	\$138,201.
Supplies and Equipment	\$1,900.	\$1,358.	\$499.	\$2,620.	\$1,515.	\$7,892.
Municipal Contributions For Services	\$663.	--	\$1,650.	\$750.	\$12,224.	\$15,287.
Total Program Administrative Expenditures	\$98,961.	\$128,839.	\$177,239.	\$159,729.	\$306,309.	\$871,740.*
Net Program Administrative Cost To Commonwealth	\$98,298.	\$128,839.	\$175,589.	\$158,979.	\$294,085.	\$856,453.

TABLE 3. SUMMARY OF AGRICULTURAL PRESERVATION RESTRICTION ACQUISITION EXPENDITURES: FISCAL YEARS 1980 - 1984.

	Fiscal 1980	Fiscal 1981	Fiscal 1982	Fiscal 1983	Fiscal 1984	TOTAL
Number of Acquisitions Completed	3	16	23	41	24	107
Number of Acres	287	1267	2099	3929	2243	9825
Acquisition Cost (\$per acre)	\$545,000. (\$1898)	\$2,418,725. (\$1909)	\$3,631,850. (\$1730)	\$6,313,925. (\$1607)	\$2,755,560. (\$1218)	\$15,665,000. (\$1594)
Municipal Contributions that offset Acquisition Costs	\$91,087.	\$93,800.	\$175,935.	\$113,350.	\$106,386.	\$580,558.
Net Program Acquisition Costs To Commonwealth	\$453,913.	\$2,324,925.	\$3,455,915.	\$6,200,575.	\$2,649,174.	\$15,084,502.

TABLE 4. TOTAL APR PROGRAM COSTS FISCAL YEARS 1980 - 1984.

Total Program Costs	\$16,536,740.
Total Program Costs to Commonwealth	\$15,940,955.
(Total Costs Minus Municipal Contributions)	

* Administrative Expenditures are 5.2 percent of Total Program Expenditures.

Cities and towns are actively encouraged to participate in the APR Program and local contributions now stand at \$580,558. with \$106,386. contributed in FY 1984. The impact of proposition 2½ appears to have had some negative impact on local contributions, but overall there is strong local support for the Program and many towns are now annually appropriating modest amounts for APR purchases.

In Table 5. the distribution of APR applications is outlined on a County basis, and Worcester County is the leader with a total of 103 applications, with Hampshire County and Middlesex County following. There are 158 municipalities represented and considering that about one third of the 368 cities and towns in the Commonwealth are urban, there is an excellent distribution of APR applications in the farming regions of the state.

In conclusion, it is becoming more and more apparent that the APR Program is being effective in protecting the State's limited agricultural land resource. In addition, it is having the positive effect of giving strength to the industry by releasing land equity and having the cash invested back into the farm. A number of farms have been transferred in an orderly fashion to the next generation of farmers and new opportunities have been created for others to enter production agriculture. It appears that with continued modest funding and more time the APR Program will successfully secure an agriculture future for the State, while at the same time not unduly straining the financial resources of the Commonwealth.

Table 5. County Location and Number of APR Applications Received as of June 30, 1984.

<u>County</u>	<u>Municipalities Represented</u>	<u>Number of Applications</u>	<u>Acreage</u>
Barnstable	4	4	312
Berkshire	8	23	3,444
Bristol	12	41	3,421
Dukes	3	5	394
Essex	13	42	3,393
Franklin	11	28	3,453
Hampden	10	31	3,117
Hampshire	15	75	6,442
Middlesex	24	49	3,920
Norfolk	8	17	1,157
Plymouth	15	28	2,996
Worcester	<u>35</u>	<u>103</u>	<u>12,400</u>
TOTALS*	158	446	44,449

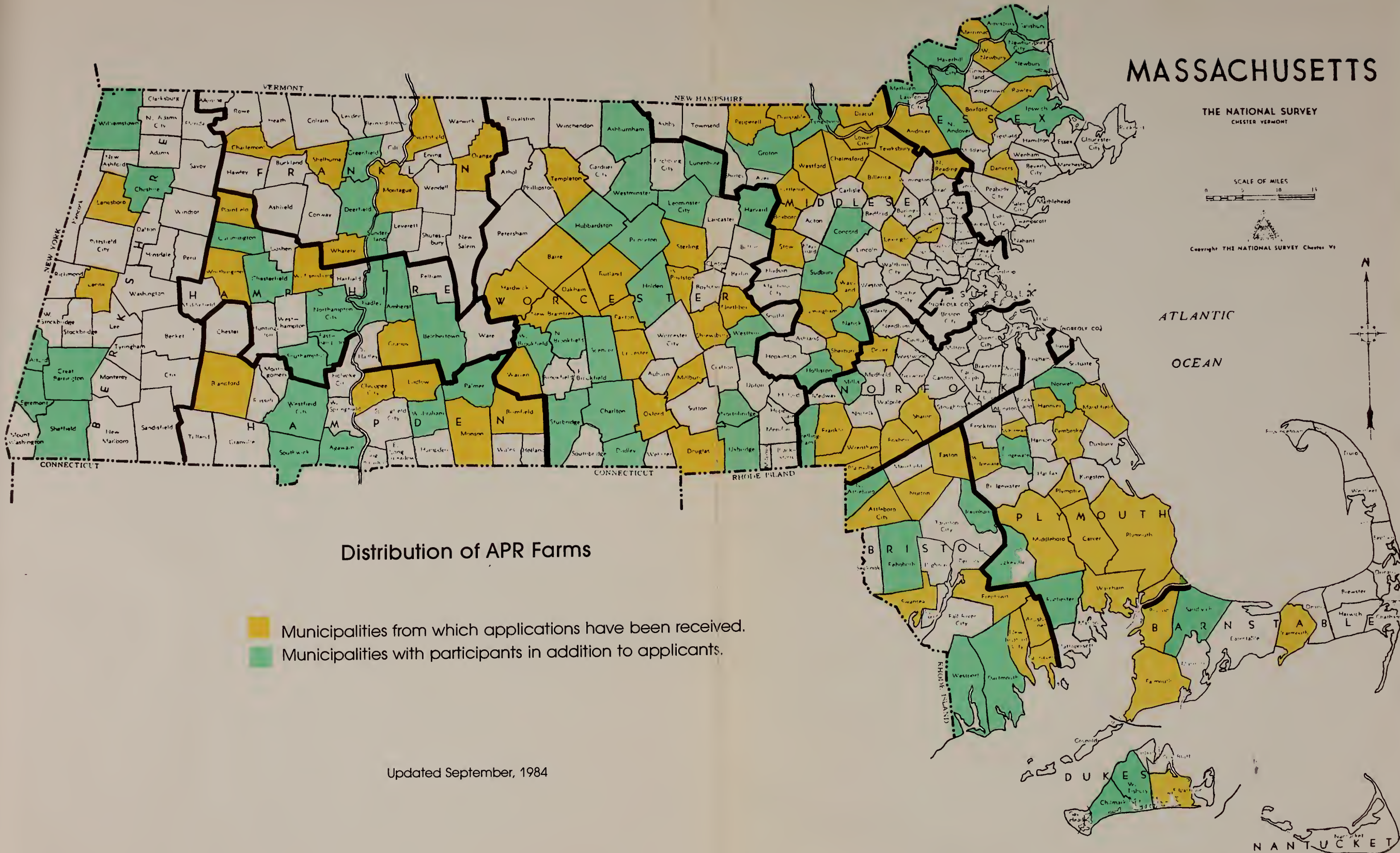
*Approximately 100 new applications are received each year, of which about one-half may be approved.

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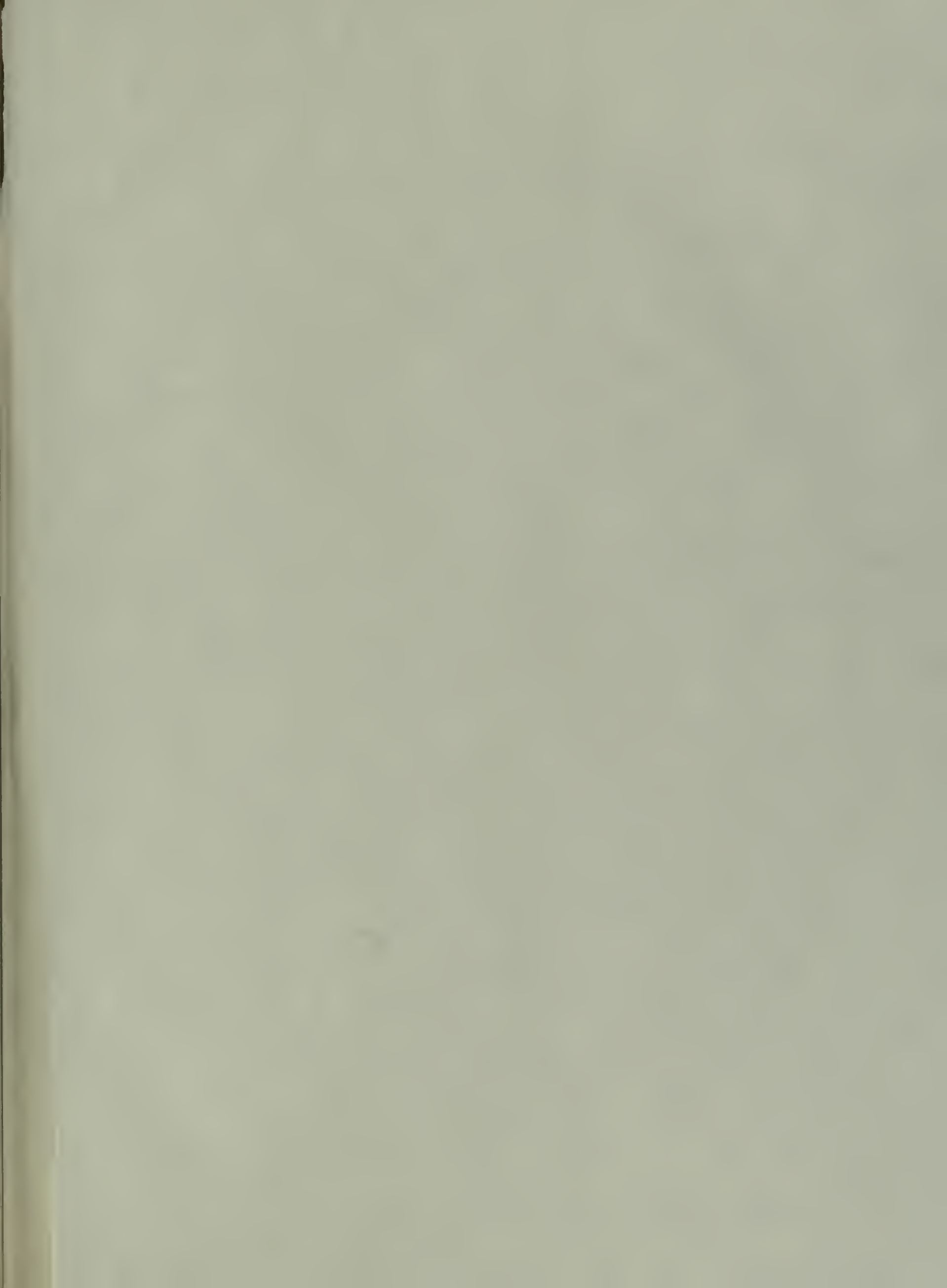
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Distribution of APR Farms

- Municipalities from which applications have been received.
- Municipalities with participants in addition to applicants.

Updated September, 1984



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